

American Motors Annual Report/1971





This Buyer Protection Plan guarantee, with its unprecedented promise, covers every 1972 American Motors passenger car sold in the United States and Canada.

American Motors

Buyer Protection Plan

1972 New Car Guarantee

When you buy a new 1972 car from an American Motors dealer, American Motors Corporation guarantees to you that, except for tires, it will pay for the repair or replacement of any part it supplies that is defective in material or workmanship.

This guarantee is good for 12 months from the date the car is first used or 12,000 miles, whichever comes first. All we require is that the car be properly maintained and cared for under normal use and service in the 50 United States or Canada and that guaranteed repairs or replacements be made by an American Motors dealer.

This guarantee is in lieu of all other guarantees or warranties, express, implied or implied in law, of American Motors Corporation or others, including implied warranties of merchantability or fitness for a particular purpose.

AM 3217362

On the Cover:

1972 models of the sporty Javelin include the SST (foreground) and the AMX. The Javelin dominated the 1971 SCCA Trans-Am racing season, winning eight out of 10 races and capturing the manufacturer's championship.

Highlights

- Net earnings in the 1971 fiscal year were \$10.2 million, or 40 cents a share, on sales of \$1.2 billion. This compares with a net loss in 1970 of \$56.2 million, or \$2.28 a share, on sales of \$1.1 billion.
- Domestic wholesale sales of passenger cars and Jeep vehicles in fiscal 1971 were 286,597, compared with 282,761 in 1970. In overseas countries and in Canada, 1971 volume was 58,128, compared with 53,308 the year before.
- Passenger car and Jeep commercial operations accounted for about 80 per cent of the company's business in fiscal '71. Government and other special market operations constituted the remaining 20 per cent, reflecting diverse opportunities available to the company as a result of expansion and acquisition . . . Page 2.
- More than 100 engineering changes were made in 1972 passenger cars to meet consumer requirements for improved quality, safety and reliability . . . Page 3.
- American Motors and its dealers announced the Buyer Protection Plan, a dramatic new dimension in customer satisfaction . . . Pages 3, 5 and 7.
- Product decisions made in the past three years have given the company a strong position in the most dynamic areas of the domestic passenger car market. In the four-wheel-drive market, Jeep Corporation has more than a 20 per cent share of sales . . . Page 11.
- Total dollar sales of all American Motors products in overseas countries and in Canada were \$136 million in fiscal 1971, an increase of 9 per cent over 1970 volume . . . Page 13.
- AM General Corporation, a wholly-owned subsidiary currently producing vehicles for the U. S. military and Postal Service, recorded net sales of \$261 million in fiscal '71, an increase of 6 per cent over 1970 volume. In an expansion move, the company gained worldwide rights to manufacture diesel and electric transit buses . . . Page 15.

Financial Highlights

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Years Ended September 30 (Dollars in Thousands)	1971 (A)	1970 (A)	1969	1968	1967
Net Sales.....	1,232,558	1,089,787	737,449	761,070 (B)	651,215 (B)
Earnings—(Loss) Before Taxes on Income and Special Items.....	11,177	(56,241)	6,978	11,305 (C)	(65,659)(C)
Earnings—(Loss) Before Special Items.....	5,527	(56,241)	4,928	4,790	(66,769)
Per Share (F).....	0.22	(2.28)	0.26	0.25	(3.50)
Net Earnings—(Loss).....	10,177 (D)	(56,241)	4,928	11,762 (E)	(75,815)(E)
Per Share (F).....	0.40 (D)	(2.28)	0.26	0.61 (E)	(3.98)(E)
Average Number of Employees.....	23,991	22,769	16,910	21,338	23,704
Employees Wages and Benefits.....	295,558	252,661	179,646	202,853	215,326
Working Capital (G).....	90,412	76,239	102,548	80,646	34,332
Per Share.....	3.56	3.01	5.37	4.23	1.78
Investments and Other Assets.....	32,982	32,970	20,781	15,937	19,755
Property, Plant and Equipment (Net).....	159,208	168,196	119,243	106,431	137,636
6% Convertible Subordinated Debentures.....	34,244	34,778	35,000	—	—
Stockholders' Equity.....	214,017	203,423	204,005	190,570	178,796
Per Share.....	8.43	8.02	10.69	9.99	9.37
Capital Shares Outstanding.....	25,395,617	25,351,118	19,078,544	19,067,764	19,066,464
Number of Stockholders (approximately).....	168,000	169,000	163,000	155,000	155,000

Notes:

- A Includes data of Jeep Corporation acquired in 1970.
- B Net sales are stated in terms of automotive operations, only, giving effect to the discontinuance of appliance operations during 1968.
- C Excludes amounts attributable to the operations of appliance division sold in 1968 and Redisco, Inc., sold in 1967.
- D After \$4,650,000 (\$.18 per share) of tax credit arising from operating loss carryforward.
- E After special credits, less loss from operations sold of \$6,972,000 (\$.36 per share) in 1968; and special charge and loss from operations sold of \$9,046,000 (\$.48 per share) in 1967.
- F Earnings and taxes per share above are based on the average capital stock and capital stock equivalents outstanding.
- G Working capital for years 1969, 1968 and 1967 has been restated to conform with account classifications used in years 1971 and 1970.

Stock Transfer Agents:

Manufacturers Hanover Trust Company*
4 New York Plaza,
New York, N.Y. 10015
The Northern Trust Company
50 S. LaSalle Street
Chicago, Illinois 60690

Registrars:

The Chase Manhattan Bank N. A.
1 Chase Manhattan Plaza,
New York, N.Y. 10015
Harris Trust and Savings Bank**
111 W. Monroe Street,
Chicago, Illinois 60690

Independent Auditors:

Touche Ross & Co.
1300 First National Bank Building
Detroit, Michigan 48226

Dividend Disbursing Agent:

Manufacturers Hanover Trust Company*
4 New York Plaza,
New York, N.Y. 10015

Annual Meeting of Stockholders:

The annual stockholders' meeting is scheduled to be held February 2, 1972. In connection with this meeting, proxies will be solicited by the management. A notice of the meeting together with a proxy statement and a form of proxy will be mailed to stockholders under separate cover on or about January 4, 1972.

*Effective at the opening of business October 18, 1971, Marine Midland Bank-New York, 140 Broadway, New York, N.Y. 10015 succeeded Manufacturers Hanover Trust Company as a transfer agent and the dividend disbursing agent of the corporation.

**Effective at the opening of business October 18, 1971, Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60690 succeeded Harris Trust and Savings Bank as a registrar of the corporation.



Chairman Roy D. Chapin, Jr. (right) and President William V. Luneburg are shown against the background of one of the company's new styling studios.

To Our Stockholders:

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In the current 1972 model year, American Motors has assumed a leadership position in meeting head-on what is probably the greatest challenge existing in the automotive market place—the growing dissatisfaction of car buyers with product quality and service. This dissatisfaction undoubtedly has played an important role in giving imports a rapidly growing share of the domestic car market.

In August the company announced an unprecedented customer oriented program called the Buyer Protection Plan. This Plan, described elsewhere in this report, meets the needs of car buyers in a way they have not been met before. It demonstrates, as no other kind of program could, that the company is making every effort to build maximum quality into its products, and intends to stand behind those products. It is designed to build upon overall corporate progress achieved in fiscal 1971, when substantial improvements were recorded in every major sector of the company's business. Results in the past fiscal year show that we are

moving ahead in developing the diverse opportunities now available to the company as a result of expansion and acquisition. Beyond our passenger car operations, we have a significant position in the rapidly growing recreational-utility vehicle market and have become an increasingly important supplier of vehicles to the government.

Net earnings in the 1971 year were \$10.2 million, or 40 cents a share. This compares with a net loss of \$56.2 million, or \$2.28 per share, in the strike-affected 1970 year.

Net sales in 1971 rose to \$1.2 billion from \$1.1 billion in fiscal 1970.

Passenger car and Jeep commercial operations accounted for about 80 per cent of our business in '71. Government and other special market operations constituted the remaining 20 per cent.

Passenger cars, of course, remain our primary business, and earnings in fiscal '71 were substantially improved by continued cost control coupled with higher margins. Wholesale sales domestically were 251,142, compared with 253,919 in 1970. Our number one objective is to increase penetration in the passenger car market.

Strong pent-up demand for new cars is apparent as we enter 1972, and repeal of the 7 per cent federal excise tax will help to unleash this demand. American Motors showed its support for repeal by beginning to rebate the full amount of the tax on 1971 models in mid-August, immediately after the President's proposal.

Another government action, the surcharge on imported cars, has put the competitive battle in the passenger car market on a new basis by offsetting some of the cost-price disadvantage the domestic industry has faced. Imports probably will remain strong, with at least a 15 per cent share of market in 1972. But this would represent a leveling off, and although the surcharge should be viewed as a temporary measure, it gives U. S. companies an opportunity to earn new

car buyer support.

In the four-wheel-drive market, the trend which had seen Jeep's share decline steadily since the mid-Sixties was reversed. Domestic wholesale sales were up 22.9 per cent over those of 1970 at 35,455 units. Retail sales reached 37,124, compared with 30,551 the year before. This is about 20 per cent of market and a solid growth base.

Internationally, sales of passenger cars and Jeep vehicles were 58,000, 9 per cent above 1970 volume of 53,000. Jeep's positioning in many market areas where American Motors had not previously been represented provides broad opportunity for expansion.

Government contract sales are handled by AM General Corporation, a wholly-owned subsidiary. AM General, currently producing vehicles and trucks for the military and the U. S. Postal Service, recorded sales of \$261 million, up from \$245 million in 1970.

AM General has the facilities and skills to enter various other areas as opportunities arise, and in 1971 completed an agreement which should lead to a position in the mass transit bus market. With the growing need for mass transit, and with government turning more attention to that need, we believe it is a sound direction in which to diversify.

In many respects, American Motors is better positioned to capitalize on growth opportunities than ever before. Our products for 1972 are in step with market demands. We have worked effectively to strengthen our dealer group and to streamline our field sales organization. And very importantly, the Buyer Protection Plan is an innovative step which sets our company apart from the rest of the automotive industry in meeting demonstrated needs.

Chairman

Roy D. Chapin

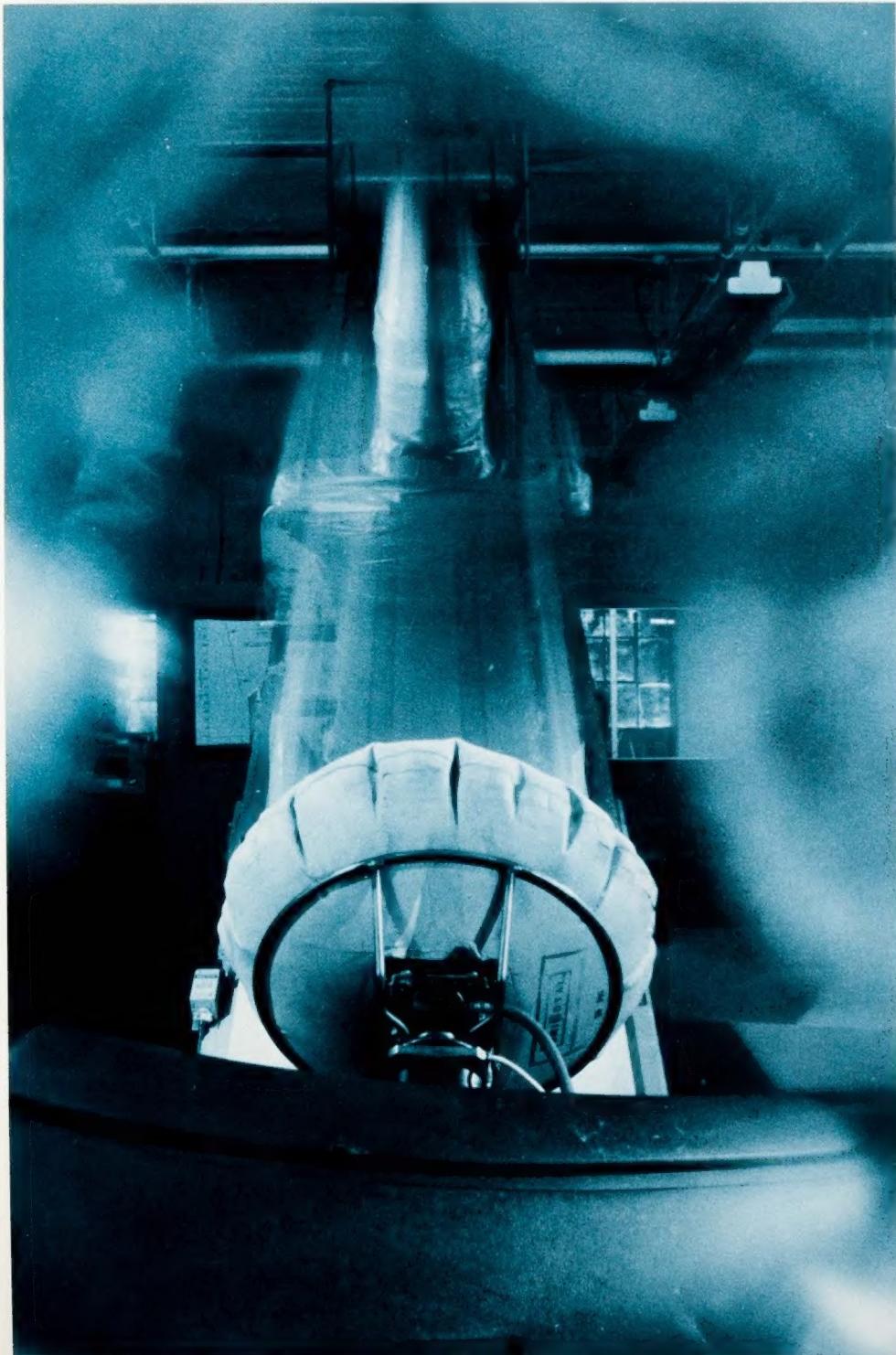
President

William V. Luneburg

A dummy plummets toward an air bag and steering wheel assembly during tests in the Detroit safety laboratory.

Engineering and Research

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Engineering effort in fiscal 1971 was concentrated on meeting consumer requirements for improved quality and reliability. More than 100 engineering changes were made in the 1972 passenger car lines. A significant number were also made in Jeep vehicles.

The emphasis on functional improvements was an essential part of the company's decision to be the industry leader in moves to restore consumer confidence in automotive products. Development of the Buyer Protection Plan (see following pages and inside back cover) required that the company do a better job than ever before of engineering and building cars that function well in areas of automotive performance that have caused customer dissatisfaction.

Throughout development of 1972 products, daily action reports were circulated until each change was accomplished. In the area of carburetion alone, nine changes were made to improve engine performance.

At the same time, company engineers devoted a considerable amount of time and resources to safety and emissions standards. Emissions research continued to focus on advanced modifications in the internal combustion engine—principally catalytic converters. Problems of driveability and durability in these systems must be solved in order to meet emissions standards for the mid-Seventies at a cost that car buyers will consider reasonable.

In the safety area, hundreds of improvements are being considered or tested. Again, the objective is to provide safer cars at reasonable cost.



The 1972 Ambassador features air conditioning, automatic transmission, power brakes and V-8 engine as standard equipment. Six models—hardtops, four-door sedans and station wagons—come in two series, SST and Brougham.

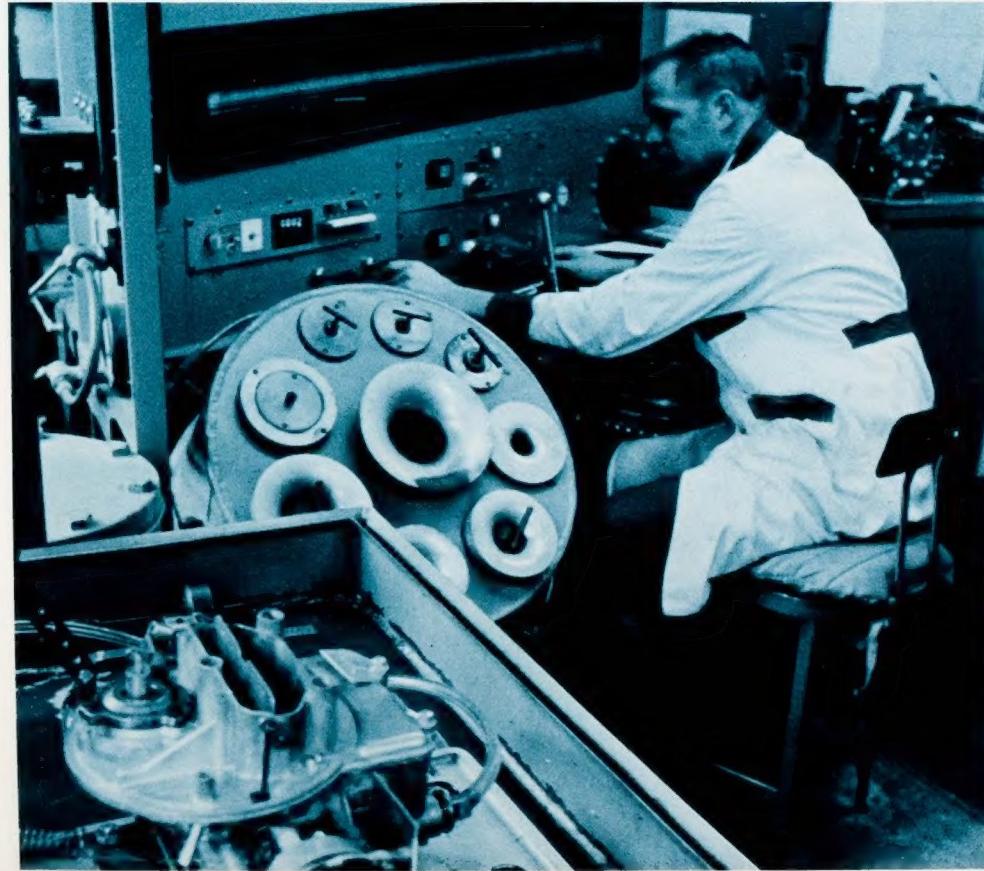
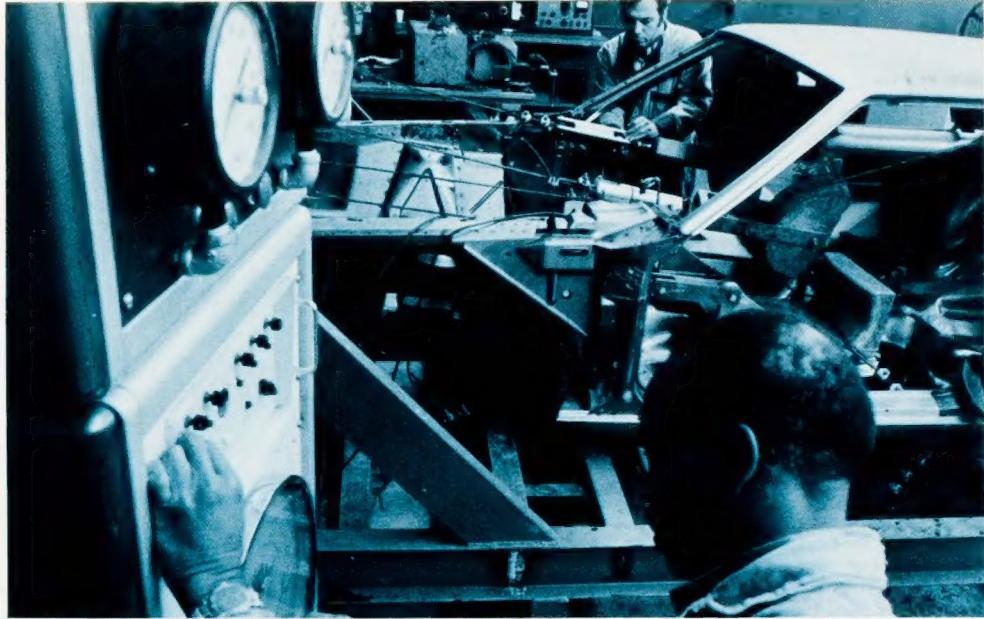
Ambassador

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More than 100 engineering changes were made in 1972 American Motors cars as part of a major product improvement program. This program is supported by an expanded series of tests such as those shown of body components and carburetor performance.

Product Quality



In support of the Buyer Protection Plan, the resources of design, engineering, manufacturing, marketing and purchasing were concentrated on eliminating potential product problems before 1972 American Motors passenger cars reach customers.

Based on a rating of AM cars against items that are important to consumers, whatever kind of car they drive, 17 areas of function and design were singled out for improvement. For 1972 American Motors car buyers, this means improved transmissions, carburetion, suspension systems, electrical systems, brakes, air conditioning—better driveability, reliability, safety and convenience.

To back up these product improvements, manufacturing quality control measures were increased, changed and intensified. For example, new equipment has been installed for additional brake tests; there are four separate 100 per cent inspections of electrical systems during the assembly process.

Soft-trim parts for all American Motors cars in North America are now manufactured in a recently completed plant at Stratford, Ontario.

Centralization in this modern, well equipped facility ensures maximum soft-trim quality.

Purchasing personnel are conducting a continuing program to assure top quality performance by suppliers. The company's marketing department and the entire dealer group instituted a pre-delivery service program under which dealers will both thoroughly inspect and road test every car.

The number of passenger car models for 1972 was reduced from 21 to 15, thus permitting greater concentration on manufacturing and assembly details.

Many quality improvements were also made in 1972 Jeep vehicles.

Incorporation of American Motors engines in all models was completed, and V-8 engines are now available for every model.



The Matador is an intermediate-size car with roominess and features that make it ideal for family transportation. There are three models, hardtop, four-door sedan and station wagon, all with top-of-the-line features and appointments.

Matador

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Strengthening of the dealer organization is a major objective of the company's marketing programs. These are typical of new dealer facilities being completed in important market areas. Key dealers who account for about 70 per cent of domestic volume now have the new American Motors identification.

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Customer Service



Customer dissatisfaction with service and service costs, so long a nagging problem in the auto industry, presented an opportunity for dramatic innovation, and American Motors took advantage of this opportunity with development of the Buyer Protection Plan.

The Plan comes to grips with two facts of life about the auto industry.

Fact one is that no matter how well a car is manufactured, there will still be need for service.

Fact two is that dual responsibility of manufacturers and dealers in meeting customer needs under traditional car warranties has caused continuing misunderstanding about what will be done, when it will be done and who will pay for it.

The only answer was to change the system—to get dealers out of the middle so they can be fully customer oriented. The Buyer Protection Plan is designed to do this, because American Motors pays dealers for fixing any problems a comprehensive pre-delivery check uncovers prior to sale, and then for fixing any part of 1972 cars that fails to work properly because of defective material or workmanship during an all-inclusive guarantee period of 12 months or 12,000 miles.

Free loaner cars, toll-free Hot Lines and a revised parts distribution system to provide one-day parts service to all company zone locations are additional tools which make the Buyer Protection Plan, in all of its phases, a new and dramatic dimension in achieving customer satisfaction.



Features of the exciting Javelin/AMX reflect experience gained on the Trans-Am road racing circuit, where a track-modified model driven by Mark Donohue won the 1971 SCCA manufacturer's championship by a wide margin. Options available on the AMX and the Javelin SST include a choice of six engines and four transmissions, and a full complement of instruments for the curved, cockpit-type instrument panel.

Javelin/AMX



The production line at Kenosha, Wisconsin.

People and Policies

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The policy of American Motors is to be a progressive corporate citizen, and to contribute leadership in meeting needs of communities in which it operates.

Specific ways in which the company is carrying out this policy include:

Investment of about \$7 million since the mid-Sixties on industrial waste disposal and environmental controls. Each plant location has a special environmental committee.

Continuation of the nationally recognized Conservation Awards Program, begun in 1953.

Investment in the Minority Small Business Investment Corporation, which provides equity capital for minority enterprises.

Conduct of Ambassador Awards Program, with the aim of stimulating employee participation in civic and community affairs.

Providing educational opportunities to all employees on an equal basis through a tuition reimbursement program; job opportunities are provided to all qualified applicants regardless of age, race, sex, creed or national origin.

Creation of the office of vice president, environmental and civic affairs, locating separate responsibility for programs in these areas at the top management level. This new position is filled by Frank G. Armstrong, formerly vice president, administration.

Other executive appointments in fiscal 1971 included:

Michael J. Lonergan to vice president of parts and distribution services; Jack E. Maxwell to vice president, administration; William S. Pickett to president and general manager, American Motors (Canada) Ltd.; Frederick A. Stewart to vice president, safety and reliability; Marvin W. Stucky to vice president, product development—Jeep; Martin D. Walker to vice president, purchasing.



The Sportabout, a station wagon with the styling of a sporty car, has become a strong entry in the compact segment of the market since its introduction in the 1971 model year. For 1972, options include the sunroof and an interior fashioned especially for American Motors by the famed Italian designer, Aldo Gucci. In addition to the popular Sportabout, the Hornet line includes two and four-door sedans.

Hornet Sportabout

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Jeep vehicles come off the final assembly line at the Jeep plant in Toledo, Ohio.

Automotive Markets

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Product decisions made in the past three years have given the company a sound, competitive position in all of the most dynamic areas of the passenger car market.

For some time, it has been apparent that market growth in the 1970's will be centered in the small car segments—from standard size cars to subcompacts.

Subcompacts and compacts, segments in which the company's Gremlin and Hornet models are entered, form the most active market area. By mid-decade, volume should exceed 4 million units annually, or more than 35 per cent of a total domestic market of between 11 and 12 million units.

Segments in which the company's Javelin, Matador and Ambassador models compete are expected to account for more than 40 per cent of the market in the years immediately ahead. By 1975, sales in these segments should exceed 5 million units annually.

The four-wheel-drive market in which the company competes with its Jeep vehicles is a relatively young, diverse market which seems destined for steady growth in the 1970's. In the 1972 model year, the total domestic market is expected to reach 180,000 units, about 600 per cent above volume of 10 years ago.

Jeep Corporation is solidly positioned in the market, with more than a 20 per cent share of sales. Beginning with changes in the 1972 line, American Motors has launched a long-range product development program based on detailed studies of what four-wheel-drive vehicle buyers want and aimed at steadily increasing Jeep's market share.



With sales of more than 70,000 units domestically, the Gremlin was American Motors' sales leader in the 1971 model year. For 1972, three engines including a V-8 are available, plus a wide selection of other options—sunroof, roof rack, automatic transmission, the Gremlin "X" trim package shown. Liftgate rear window and fold-down rear seat are standard.

Gremlin

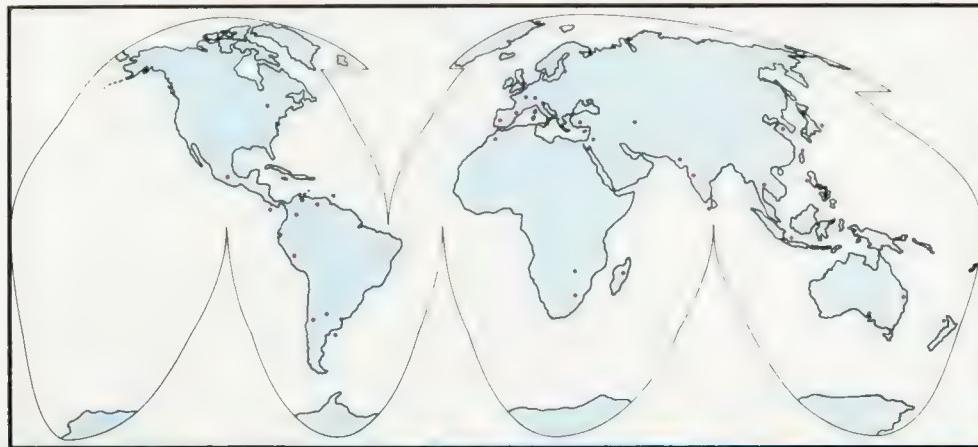
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American Motors products were prominently displayed at the Paris auto show, one of many major shows around the world in which the company's International Division participates. The map shows locations of manufacturing and assembly plants and licensees, and subsidiaries and affiliated companies, outside the U. S.

International Operations

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Dollar sales of all American Motors products in overseas countries and in Canada reached \$136 million in fiscal 1971, reflecting the sale of 58,128 passenger car and Jeep commercial vehicles, including knocked-down units destined for assembly overseas. This is a 9 per cent increase over 1970 volume.

With manufacturing and assembly operations in 29 nations outside the U. S., the company has a foundation from which many of the advanced and emerging world auto markets can be served. This established base is significant, because in many important international markets new entry is prohibited or extremely difficult.

Canada continues to be the leading international market for American Motors, despite heavy pressure from imports. The second largest is Mexico, where the company sold 11,600 passenger cars and Jeep vehicles in 1971 and captured more than 8 per cent of the market.

Other growth markets where the company is well positioned, with manufacturing or assembly operations for both passenger car and Jeep vehicles, include Venezuela, Argentina and Iran.

Jeep International has provided a solid foothold in such diverse areas as Korea, Spain, India, Colombia, Israel and Indonesia. These operations are a base for exports to other markets in the Far East, Europe, Middle East, Africa and South America.

Moves to revalue currencies in such countries as Germany and Japan, which are leading competitors in international markets, should substantially improve American Motors' position overseas.

In many key overseas markets the company has established some form of partnership arrangement with local interests. These cooperative efforts are proving to be a sound growth strategy.



The company's Jeep line provides the widest choice of four-wheel-drive vehicles in the automotive industry. All are designed specifically to meet the specialized requirements of buyers in the four-wheel-drive market. Vehicles for 1972 include (from the front) the Jeep Commando, Jeep CJ-5, Jeep Wagoneer and Jeep truck.

Jeep Vehicles

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A five-ton truck for the military on the production line at the South Bend, Indiana, plant of AM General Corporation.

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AM General Corporation



Important contributions to American Motors' sales, earnings and growth potential are being made by operations of AM General Corporation, a wholly-owned subsidiary restructured early in the fiscal year from the former General Products Division. AM General currently is involved in six diverse product lines for the military and U.S. Postal Service, ranging in capacity from $\frac{1}{4}$ -ton to 5-ton.

Net sales in fiscal 1971 were 6 per cent over 1970 volume, at \$261 million.

Three major programs were awarded to AM General during the year. Under one, the company will build for the U. S. Army more than 34,000 M151A2 quarter-ton four-wheel-drive vehicles. Two other contracts call for production of 17,940 quarter-ton mail delivery vehicles for the U. S. Postal Service. Total dollar value of new business acquired in fiscal 1971 was \$189 million. As fiscal 1972 began, the backlog was about \$340 million.

AM General's engineering and manufacturing capabilities for handling a wide range of types and kinds of products were augmented by establishment of an Engineering and Technical Services Division, with offices in Lansing, Michigan, and Chicago. The division furnishes vehicle engineering and other technical services to the government, and is a base for expansion into other markets.

In an expansion move that could have important impact on future results, AM General gained worldwide rights to manufacture and sell diesel and electric city transit buses. The rights were granted in an agreement signed with a major Canadian producer of transit buses, Flyer Industries Limited.

Preparations are under way for production of the Flyer buses at AM General's Mishawaka plant, one of its four modern facilities located in Indiana which have a total area of more than $2\frac{1}{2}$ million square feet.



Through a wholly-owned subsidiary, AM General Corporation, American Motors is a major supplier of vehicles to the government. Cruse W. Moss, president of AM General, is shown with the array of vehicles on which the company has been awarded contracts by the military and the U.S. Postal Service.

Vehicles for the Government

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Financial Statements

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American Motors Corporation and Consolidated Subsidiaries

Consolidated Statement of Net Earnings (Dollars in Thousands)	Year Ended September 30	
	1971	1970
Revenues:		
Net sales.....	\$1,232,558	\$1,089,787
Other income.....	7,865	8,429
	<u>\$1,240,423</u>	<u>\$1,098,216</u>
Costs and expenses:		
Cost of products sold, other than items below.....	\$1,046,031	\$ 967,868
Selling, advertising, and administrative expenses.....	124,998	121,942
Amortization of tools and dies.....	22,354	30,606
Depreciation and amortization of plant and equipment (Note I).....	13,774	12,709
Cost of pensions for employees (Note G).....	16,521	15,386
Interest.....	5,568	5,946
	<u>\$1,229,246</u>	<u>\$1,154,457</u>
	EARNINGS (LOSS*) BEFORE TAXES ON INCOME	
Taxes on income (Note F).....	\$ 11,177	\$ 56,241*
	5,650	
	EARNINGS (LOSS*) BEFORE EXTRAORDINARY INCOME TAX CREDIT	
Income tax credit arising from operating loss carryforward (Note F).....	\$ 5,527	\$ 56,241*
	4,650	
	NET EARNINGS (LOSS*)	
	<u>\$ 10,177</u>	<u>\$ 56,241*</u>
Per share (Note J):		
Earnings (loss*) before extraordinary income tax credit.....	\$.22	\$.228*
Net earnings (loss*).....	<u>\$.40</u>	<u>\$.228*</u>

See notes to financial statements.

Consolidated Statement of Additional Paid-In Capital (Dollars in Thousands)	Year Ended September 30	
	1971	1970
Balance at beginning of the year.....	\$103,782	\$ 58,577
Excess of market value (\$55,492) over par value of 6,254,413 shares of Capital Stock issued in acquisitions.....		45,068
Excess of net carrying amount of 6% Convertible Subordinated Debentures over par value of Capital Stock (44,499 shares in 1971 and 18,499 shares in 1970) issued on conversion (Note D).....	343	141
Excess of cost over par value of 338 shares of treasury stock acquired (decrease*).....		4*
Balance at end of the year.....	<u>\$104,125</u>	<u>\$103,782</u>

See notes to financial statements.

Financial Statements

Consolidated Balance Sheets
(Dollars in Thousands)

Assets	Sept. 30—1971	Sept. 30—1970
CURRENT ASSETS:		
Cash.....	\$ 18,239	\$ 10,732
Marketable securities—at cost and accrued interest (approximately market).....		11,427
United States Government receivables (Note B).....	45,644	31,870
Notes and accounts receivable, less allowance of \$600 in 1971 and \$700 in 1970 for doubtful accounts.....	65,877	64,774
Refundable federal excise taxes (Note C).....	4,550	
Accounts receivable from affiliated companies.....	10,997	9,569
Inventories—at lower of cost (first-in, first-out method) or market (Note B).....	172,340	202,286
Prepaid expenses.....	6,345	4,933
TOTAL CURRENT ASSETS	\$323,992	\$335,591
INVESTMENTS AND OTHER ASSETS (Note A):		
Investments in and advances to unconsolidated subsidiaries.....	\$ 11,524	\$ 12,395
Miscellaneous advances and investments, less allowances of \$4,472 in 1971 and \$4,938 in 1970 for possible future losses.....	21,458	20,575
TOTAL INVESTMENTS AND OTHER ASSETS	\$ 32,982	\$ 32,970
PROPERTY, PLANT, AND EQUIPMENT—at cost, less accumulated depreciation and amortization:		
Land.....	\$ 6,718	\$ 6,859
Buildings and improvements.....	100,304	96,346
Machinery and equipment, including tools and dies.....	222,834	226,809
Less accumulated depreciation and amortization	\$329,856	\$330,014
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$159,208	\$168,181
UNAMORTIZED DEBT EXPENSE (Note D).....	7,020	7,651
GOODWILL ARISING FROM ACQUISITIONS.....	2,210	2,210
	<u>\$525,412</u>	<u>\$546,618</u>

American Motors Corporation and Consolidated Subsidiaries

Liabilities and Stockholders' Equity	Sept. 30—1971	Sept. 30—1970
CURRENT LIABILITIES:		
Short-term bank borrowings (Note B).....	\$ 25,248	\$ 29,759
Accounts payable.....	148,396	169,099
Salaries, wages, and amounts withheld from employees.....	14,436	13,323
Taxes other than taxes on income.....	13,599	13,675
Interest.....	2,051	1,786
Other accrued expenses.....	19,264	22,680
Taxes on income.....	5,278	5,669
Current portion of long-term debt.....	5,308	3,361
	TOTAL CURRENT LIABILITIES	\$233,580
		\$259,352
LONG-TERM LIABILITIES (Note D):		
6% Convertible Subordinated Debentures.....	\$ 34,244	\$ 34,778
8½% Serial Notes.....	5,696	7,595
Miscellaneous notes and mortgages.....	3,029	2,625
Other liabilities.....	34,846	38,845
	TOTAL LONG-TERM LIABILITIES	\$ 77,815
		\$ 83,843
STOCKHOLDERS' EQUITY (Notes D and E):		
Capital Stock, par value \$1.66-2/3 a share:		
Authorized 40,000,000 shares		
Issued—25,598,850 shares in 1971.....	\$ 42,665	\$ 42,591
In treasury—203,233 shares.....	339	339
Outstanding—25,395,617 shares in 1971 and 25,351,118 shares in 1970.....	\$ 42,326	\$ 42,252
Additional paid-in capital.....	104,125	103,782
Earnings retained for use in the business:		
Balance at beginning of the year.....	\$ 57,389	\$113,630
Net earnings (loss*) for the year.....	10,177	56,241*
Balance at end of the year.....	\$ 67,566	\$ 57,389
	TOTAL STOCKHOLDERS' EQUITY	\$214,017
		\$525,412
		\$546,618

See notes to financial statements.

Financial Statements

And Notes to Financial Statements

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American Motors Corporation and Consolidated Subsidiaries

Consolidated Statement of Sources and Applications of Working Capital (Dollars in Thousands)

Year Ended September 30
1971 **1970**

SOURCES OF WORKING CAPITAL:

From operations:

Net earnings (loss)*.....	\$10,177	\$ 56,241*
Amortization of tools and dies.....	22,354	30,606
Depreciation and amortization of plant and equipment.....	13,774	12,709
Amortization of debt expense.....	514	523
	FROM OPERATIONS	\$46,819
		\$ 12,403*
		44,749
		\$46,819
		\$ 32,346

Working capital of acquired companies at dates of acquisition.....

APPLICATIONS OF WORKING CAPITAL:

Acquisition of subsidiaries	\$27,240	\$ 10,259
Additions to property, plant, and equipment (including tools and dies)	5,406	41,055
Miscellaneous.....	\$32,646	7,341
	NET INCREASE (DECREASE*) IN WORKING CAPITAL	\$14,173
		\$ 26,309*
WORKING CAPITAL AT BEGINNING OF THE YEAR	76,239	102,548
WORKING CAPITAL AT END OF THE YEAR.....	\$90,412	\$ 76,239

See notes to financial statements.

Notes to Financial Statements

Year Ended September 30, 1971

Note A—Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its United States and Canadian subsidiaries other than a finance company and retail automotive outlets. Current assets and liabilities of the Canadian subsidiaries have been included in the balance sheets at the prevailing rates of exchange at September 30 and property, plant, and equipment have been included at the approximate United States dollar cost at date of acquisition.

The investments in unconsolidated subsidiaries and 20% or more owned affiliates are stated at equity in net assets of such companies (after appropriate conversion of foreign assets and liabilities and

inclusion of related adjustments in operations). The Company's equity in net earnings of such companies, other than retail automotive outlets, was approximately \$660,000 in 1971 and \$1,040,000 in 1970 and is included in other income. The expenses incurred with respect to retail automotive outlets are classified as selling expenses. In accordance with Opinion Number 18 of the Accounting Principles Board, the Company has adopted the equity method of accounting for investments in 20% or more owned affiliates. The effect of this change on operating results for 1971 and prior years was immaterial

and prior years' operating results have not been restated.

Note B—Short-term Bank Borrowings

AM General Corporation, a wholly owned subsidiary of Jeep Corporation, has a Credit Agreement which provides for maximum borrowings of \$25,000,000 to December 31, 1971, with interest at 1% above the current prime rate. At September 30, 1971, \$25,000,000 was outstanding under this Agreement, and accounts receivable and inventories which have a carrying amount of approximately \$58,000,000 and certain other assets have been pledged as security for the borrowing. American Motors and

Jeep Corporation, a wholly owned subsidiary, have guaranteed the borrowings of AM General. The Credit Agreement and the related Guaranty each contain various restrictive covenants relating to maintenance of minimum levels of working capital and net worth, payment of dividends, additional indebtedness, and other matters. Management expects a renewal of this Agreement.

Note C—Excise Tax Refund

On August 15, 1971, President Nixon announced a broad program of economic measures which included a proposal to repeal the excise tax on passenger cars. Effective August 16, 1971, in support of the President's economic program and in anticipation of tax repeal, the Company began refunding the excise tax to retail purchasers of its 1971 model cars. Tax refunds applicable to qualified sales through September 30, 1971, amount to approximately \$4,550,000 and are recoverable from the Government as a result of legislation enacted on December 10, 1971, which repealed the excise tax on passenger cars.

Note D—Long-term Liabilities

6% Convertible Subordinated Debentures and Stock Purchase Warrants:

The 6% Convertible Subordinated Debentures are due October 1, 1988. In connection with their issuance, the Company also issued Warrants, exercisable prior to October 1, 1976, to purchase 875,000 shares of Capital Stock. At September 30, 1971, 3,728,666 shares of Capital Stock were reserved for possible conversion of the Debentures and exercise of the Warrants at a conversion and exercise price of \$12 per share. Under the Debenture Agreement, the Company's retained earnings are not currently available for dividends. The Company is required to make annual prepayments of \$2,100,000 on October 1 from 1978 to 1987. Additional prepayments may be made at prices ranging up to 105.33% of principal amount.

Debt discount and related issuance expenses are being amortized over the life of the Debentures.

During the year ended September 30, 1971, Debentures in the principal amount of \$534,000 were converted in exchange for 44,499 shares of Capital Stock of the Company.

Other Long-term Liabilities:

In connection with the acquisition of Jeep Corporation, the Company issued \$9,493,482 of 8½% Serial Notes. The Notes are due in five equal annual installments with the final installment due in February, 1975. As a condition of an American Motors Credit Agreement which was in effect during a portion of the year, Kaiser Industries agreed to a deferral of the first principal installment on the notes and a deferral of all interest payments after December 31, 1970.

The American Motors Credit Agreement is no longer in effect and the deferred principal installment was paid in November, 1971.

Miscellaneous notes and mortgages mature ratably or in gradually reducing amounts to 1975.

Other liabilities include extended product warranty reserves, residual obligations arising from the sale of the appliance operation, and the long-term obligations assumed in connection with acquisitions.

Note E—Stock Options

At September 30, 1971, 536,800 shares of Capital Stock were reserved for issuance to key employees under the restricted stock option plans.

A summary of the transactions for the year ended September 30, 1971, with respect to the stock option plans follows:

	Shares
Options outstanding at October 1, 1970	410,450
Options granted at prices from \$6.07 to \$6.25 a share	169,000
	<u>579,450</u>
Less options terminated	52,200
Options outstanding at September 30, 1971, at prices ranging from \$6.07 to \$19.36 a share	<u>527,250</u>

The option prices for options outstanding at September 30, 1971, were not less than 95% of the market value on the date of grant with

Notes to Financial Statements

And Accountants' Report

respect to options granted prior to January 1, 1964, and not less than market value on the date of grant with respect to options granted since that date.

Options for 223,650 shares were exercisable at September 30, 1971.

Note F—Taxes on Income

No United States or Canadian income taxes were payable for the year ended September 30, 1971, because of loss carryforwards. Foreign taxes withheld at source in the amount of approximately \$1,000,000 have been charged to operations and represent possible future tax benefits.

At September 30, 1971, the Company's financial statements do not reflect possible future tax benefits of approximately \$53,000,000, of which \$30,000,000 results from loss carryforwards available to offset tax liabilities of future years and \$23,000,000 relates to established product warranty and other reserves which are not deductible for tax purposes until payments are made.

Note G—Pension Plans

The principal pension plans of the Company and its subsidiaries are trusteed plans and cover substantially all employees. Total pension cost for the year includes normal costs and amortization of past service costs over periods ranging up to 30 years.

The actuarially computed value of vested benefits for all plans as of the most recent valuation dates exceeded the total of the fund assets by approximately \$56,000,000.

Incident to its current labor contracts, the Company has agreed to prospective improvements in pension benefits which will substantially increase the vested unfunded past service liability. The Company's general policy is to fund pension costs as they are charged to operations.

Note H—Commitments and Contingent Liabilities

At September 30, 1971, the Company was committed to annual rentals of \$4,000,000, exclusive of taxes, insurance, and maintenance, which generally are payable by the Company. The remaining lease periods for these rental agreements range up to 25 years and generally include options for renewal.

In addition, the Company had other commitments and guarantees approximating \$30,000,000 incurred in the ordinary course of business for tooling, facilities, equipment, and financing of export sales.

Note I—Depreciation and Amortization

The cost of property, plant, and equipment is depreciated over the estimated useful lives of the assets. Assets being depreciated by the straight-line method approximate 45% of the total depreciable assets. All other depreciable assets are depreciated by the declining balance method.

Note J—Per Share Results

The computation of earnings (loss*) per share is based upon the average shares of Capital Stock outstanding and Capital Stock equivalents resulting from stock options. The computation of fully diluted earnings (loss*) per share results in no dilution.

Accountants' Report

TOUCHE ROSS & CO.

1300 FIRST NATIONAL BUILDING
DETROIT, MICHIGAN 48226
21 EAST LONG LAKE ROAD
BLOOMFIELD HILLS, MICHIGAN 48013

To the Board of Directors
and Stockholders
American Motors Corporation
Detroit, Michigan

We have examined the accompanying consolidated balance sheet of American Motors Corporation and consolidated subsidiaries as of September 30, 1971, and the related statements of net earnings, additional paid-in capital, and sources and applications of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

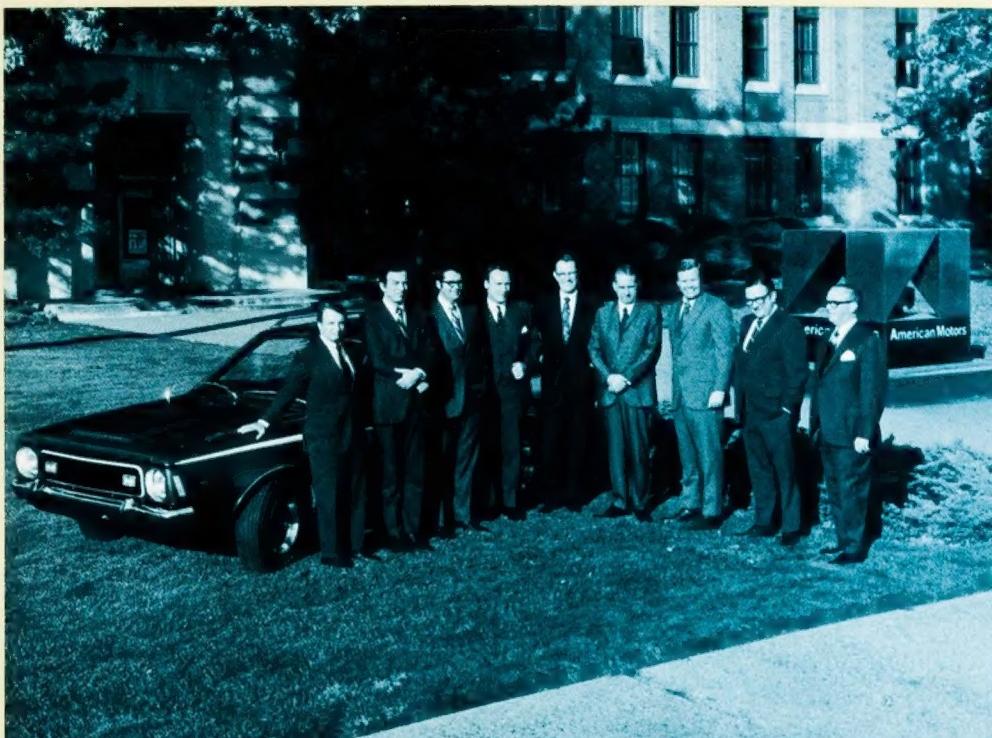
In our opinion, the consolidated financial statements referred to above present fairly the financial position of American Motors Corporation and consolidated subsidiaries at September 30, 1971, and the results of their operations and the sources and applications of working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toiche Ross & Co.
Certified Public Accountants

November 17, 1971
(December 10, 1971,
as to Note C)

Corporate officers include: top, left to right—Frank S. Hedge, Jack E. Maxwell, Marvin W. Stucky, Iain M. Anderson, Walter J. Williams, Frank G. Armstrong, R. William McNealy, Jr., Frederick A. Stewart, Marius A. van Merkenstein; bottom, left to right—Michael J. Lonergan, Richard A. Teague, Cruse W. Moss, Alan H. Foster, Gerald C. Meyers, John C. Secret, John F. Adamson, Martin D. Walker, Stuart M. Reed.

Corporate Officers



Roy D. Chapin, Jr.
Chairman of the Board and Chief Executive Officer

William V. Luneburg
President and Chief Operating Officer

John F. Adamson
Vice President, Engineering and Research

Iain M. Anderson
Vice President and Controller

Frank G. Armstrong
Vice President, Environmental and Civic Affairs

Alan H. Foster
Vice President and Treasurer

Frank S. Hedge
Vice President, Public Relations

Michael J. Lonergan
Vice President, Parts and Distribution Services

R. William McNealy, Jr.
Vice President, Marketing

Jack E. Maxwell
Vice President, Administration

Gerald C. Meyers
Vice President, Product Development Group

Cruse W. Moss
Vice President

Stuart M. Reed
Vice President, Manufacturing

John C. Secret
Vice President, Corporate Staffs

Frederick A. Stewart
Vice President, Safety and Reliability

Marvin W. Stucky
Vice President, Product Development Group/Jeep

Richard A. Teague
Vice President, Styling

Marius A. van Merkenstein
Vice President, International Operations

Martin D. Walker
Vice President, Purchasing

Walter J. Williams
Corporate Secretary and House Counsel



Corporate Directory

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Corporate Offices:

14250 Plymouth Road, Detroit, Michigan 48232
Telephone: (313) 493-2000

North American Operations:

Manufacturing and Final Assembly Plants,

Passenger Cars:

Brampton, Ontario
Kenosha, Wisconsin

Milwaukee, Wisconsin

Manufacturing and Final Assembly Plant,

Commercial and Utility Vehicles:

Toledo, Ohio

Manufacturing and Final Assembly Plants,

General Products:

Indianapolis, Indiana
Mishawaka, Indiana

South Bend, Indiana

Manufacturing Plants, Other Products:

Ervansville, Indiana, precision injection moldings
Ervart, Michigan, injection-molded parts

Sarnia, Ontario, engine blocks and castings

Stratford, Ontario, automotive soft trim

Subsidiaries:

Jeep Corporation

14250 Plymouth Road, Detroit, Michigan 48232

Office: Toledo, Ohio

Jeep Sales Corporation

14250 Plymouth Road, Detroit, Michigan 48232

Offices and Parts Warehouses:

Waltham, Mass. (Parts Warehouse only)

West Nyack, New York (Parts Warehouse only)

Elmsford, New York

Sharon Hill, Pa.

Pittsburgh, Pa.

Stone Mountain, Georgia

Detroit, Michigan

Plymouth, Michigan (Parts Warehouse only)

Franklin Park, Illinois

Cincinnati, Ohio (Parts Warehouse only)

Dallas, Texas

Denver, Colorado

Shawnee Mission, Kansas (Parts Warehouse only)

Portland, Oregon

El Segundo, Calif.

Carson, Calif. (Parts Warehouse only)

Burlingame, Calif. (Parts Warehouse only)

AM General Corporation

32500 Van Born Road, Wayne, Michigan 48184

Offices: Chicago, Illinois; Lansing, Michigan;
Washington, D.C.

American Motors Sales Corporation

14250 Plymouth Road, Detroit, Michigan 48232

Offices and Parts Warehouses:

Stone Mountain, Georgia

Needham Heights, Mass.

Buffalo, New York (Parts Warehouse only)

Franklin Park, Illinois

Cincinnati, Ohio

Cleveland, Ohio

Dallas, Texas

Denver, Colorado

Detroit, Michigan

Houston, Texas (Parts Warehouse only)

Jacksonville, Florida (Parts Warehouse only)

Overland Park, Kansas

El Segundo, California

Memphis, Tennessee

Milwaukee, Wisconsin (Main Parts Center)

Minneapolis, Minnesota

Elmsford, New York

Sharon Hill, Pa.

Pittsburgh, Pa.

Portland, Oregon

St. Louis, Missouri

Burlingame, California

McLean, Virginia

American Motors (Canada) Limited

Brampton, Ontario

Offices:

Winnipeg, Manitoba

Burnaby, British Columbia

Rexdale, Ontario

Montreal, Quebec

AM Data Systems Corporation

14250 Plymouth Road, Detroit, Michigan 48232

American Motors Pan American Corporation

14250 Plymouth Road, Detroit, Michigan 48232

Canadian Fabricated Products Limited

Stratford, Ontario

Development Credit Corporation

14250 Plymouth Road, Detroit, Michigan 48232

Development Credit Corporation (Northern) Limited, Brampton, Ontario

Evert Products Company

Evert, Michigan 49631

Holmes Foundry Limited

Sarnia, Ontario

Jeep of Canada Limited

Brampton, Ontario

Jeep International Corporation

14250 Plymouth Road, Detroit, Michigan 48232

Windsor Plastics, Inc.

Evansville, Indiana 47711

International Operations:

Manufacturing and Assembly Plants and Licensees, Passenger Cars:

Argentina: Cordoba

Australia: Melbourne

Costa Rica: San Jose

Iran: Teheran

Mexico: Mexico City

New Zealand: Auckland

Philippines: Manila

South Africa: Durban

Venezuela: Mariara

Manufacturing and Assembly Plants and Licensees, Commercial and Utility Vehicles:

Argentina: Cordoba

Australia: Brisbane

Ceylon: Colombo

Chile: Santiago

Colombia: Bogota

Costa Rica: San Jose

France: Paris

India: Bombay

Indonesia: Djakarta

Iran: Teheran

Israel: Haifa

Japan: Tokyo

Korea: Seoul

Malagasy Republic: Tananarive

Mexico: Mexico City

Morocco: Casablanca

New Zealand: Auckland

West Pakistan: Karachi

Philippines: Manila

Portugal: Lisbon

South Africa: Pretoria

Spain: Zaragoza

Taiwan: Taipei

Thailand: Bangkok

Turkey: Tuzla

Uruguay: Montevideo

Venezuela: Tejerias

Zambia: Lusaka

Subsidiaries and Affiliated Companies:

A.M.C. De Venezuela, C.A., Caracas, Venezuela

American Motors (Great Britain) Ltd., London

American Motors Del Peru, Lima, Peru

American Motors South Africa (Pty.) Ltd., Johannesburg, Republic of South Africa

Auto Tecnica, S.A., San Jose, Costa Rica

Constructora Venezolana de Vehiculos, C.A., Caracas, Venezuela

Ensambladora Centroamericana, S.A., San Jose, Costa Rica

Financiera de America, S.A., San Jose, Costa Rica

IKA-Renault, S.A., Buenos Aires, Argentina

Jeep Caracas, Caracas, Venezuela

Jeep Overseas, S.A., Zurich, Switzerland

Mahindra & Mahindra Ltd., Bombay, India

Permanente, S.A., Buenos Aires, Argentina

Rambler Motors (A.M.C.) Limited, London, Eng.

Turk Willys Overland Fabrikalari, A.S., Istanbul, Turkey

Vehiculos Automotores Mexicanos, S.A., Mexico

D.F. Mexico

Willys de Venezuela, S.A., Tejerias, Venezuela

Willys Motors (Australia) Pty., Ltd., Brisbane

Corporate Directors

Roy D. Chapin, Jr.

*Chairman of the Board and Chief Executive Officer
American Motors Corporation, Detroit, Michigan*

Richard E. Cross

*Counsel to Cross, Wrock, Miller & Vieson
Attorneys at Law, Detroit, Michigan*

Edward L. Cushman

*Executive Vice President, Wayne State University
Detroit, Michigan*

Robert B. Evans

Industrialist, Detroit, Michigan

Stephen A. Girard

*Senior Vice President and Director
Kaiser Industries Corporation, Oakland, California*

Roy E. Hughes

*Executive Vice President, Kaiser Industries
Corporation, Oakland, California*

William V. Luneburg

*President and Chief Operating Officer
American Motors Corporation, Detroit, Michigan*

J. Willard Marriott

*Chairman of the Board, Marriott Corporation
Washington, D.C.*

Don G. Mitchell

*Chairman of the Executive Committee, American
Management Association, New York, New York*

Andrew G. C. Sage II

*President, Lehman Brothers Incorporated
New York, New York*

M. Frederik Smith

Business Consultant, New York, New York

William E. Stirtton

*Vice President Emeritus, University of Michigan
Ann Arbor, Michigan*

Jackson W. Tarver

President, Cox Enterprises, Inc., Atlanta, Georgia

Alexander B. Trowbridge

*President, The Conference Board, Inc.
New York, New York*

Paul B. Wishart

*Retired Chairman of the Board
Honeywell Inc., Minneapolis, Minnesota*

Buyer Protection Plan: Introduction of the Guaranteed Car

If anything goes wrong with a 1972 American Motors passenger car, and it is the company's fault, it will be fixed free. **ANYTHING.**

This is the basic, powerful promise made to consumers in the Buyer Protection Plan.

In market research carried out over the past three years, American Motors isolated and defined the most critical areas of customer concern. The research showed that while consumers don't expect to buy cars completely free of defects, they do feel strongly that between manufacturers and dealers, a consistently better job could be done on new cars for which they pay considerable sums of money.

Nor do they have much confidence that they can get satisfactory solutions to problems after they purchase cars. They believe service costs too much and is sometimes poorly done.

These problems had to be met together. They had to be met with a concrete set of actions. It was apparent that halfway measures, even if they were different, would be worse than no measures at all.

Many ideas were considered and discarded. But when the five-element Buyer Protection Plan evolved, the company knew it had the answer. As it turned out, the answer was deceptively simple: Build and deliver the best cars you can, but since the trouble-free car is not yet a reality, guarantee to the buyer that you will protect him fully for 12 months or 12,000 miles against cost or inconvenience resulting from problems that are the company's responsibility.

What do you need to do this?

One, a strong guarantee in plain English. In three sentences, the guarantee says a great deal. It covers literally everything the company puts on 1972 cars except tires—no ifs, ands or buts. For any factory defects, the buyer has this iron-clad guarantee: For 12 months or 12,000 miles, it will cost him nothing to have them corrected. (See inside front cover.)

The customer service area at Grosse Pointe American in suburban Detroit illustrates the commitment of American Motors and its dealers to providing car buyers with value—

value in terms of good product, good service and good facilities, backed by the promise of the Buyer Protection Plan that American Motors will assume responsibility for cost or inconvenience resulting from any factory defect in its 1972 passenger cars.



Two, thorough pre-delivery checking by dealers. Every car is road tested at dealerships for starting, handling, braking and overall performance. When the serviceman completes the test, he signs his report and places it on the car's sun visor. Any defects discovered are fixed before the car buyer takes delivery.

Three, loaner cars when they are needed, free. Being without transportation when repairs are needed is a major inconvenience for car buyers. Owners of 1972 American Motors passenger cars can use loaner cars, without cost of any kind, whenever they must leave their own cars overnight for guarantee repairs.

Four, a direct Hot Line. When necessary, customers can get assistance quickly by calling toll-free numbers in Detroit or Brampton, Ontario. The Hot Lines operate 12 hours a day throughout the United States and Canada. The people are trained and service minded. They can provide answers and get results.

Five, quality. Then, you support these elements with an all-out quality improvement effort, from design, engineering and purchasing through to the end of the production line.

This is the Buyer Protection Plan. The company is dedicated to delivering what it has promised—putting customer satisfaction and good will above all else with actions, not just words.

Timeliness of the Plan was confirmed when dozens of the country's major newspapers, in addition to regular reporting, carried editorials lauding American Motors for its action. As one newspaper said, "American Motors' Buyer Protection Plan has caught the attention of the nation's editorial page writers to a degree seldom matched by corporate decisions. Editorial pages have been enthusiastic in praising AM . . . "

American Motors has achieved many "firsts" in the industry in product concepts and marketing approaches. But none has had the far-reaching impact of the Buyer Protection Plan in meeting demonstrated needs of car buyers.

American Motors Corporation
14250 Plymouth Road/Detroit, Michigan 48232

Postmaster: If Undeliverable, Do Not Return

